

SESSION OF 2002

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2690

As Amended by Senate Committee on
Ways and Means

Brief*

HB 2690 creates the University Research and Development Enhancement Act. As amended by the Senate Ways and Means Committee the bill authorizes the issuance of up to \$130.0 million in bonds for research facilities at state universities, directs the creation by the Board of Regents of a subsidiary corporation to oversee implementation of the projects, and authorizes alternative procedures for acquiring construction services for the projects. The bill also authorizes separate bonding authority of \$13.0 million for additional projects in support of the National Institute for Aviation Research.

The Act is limited to four projects: construction of the Food Safety and Security Research Facility at Kansas State University, construction of the Biomedical Research Facility at the University of Kansas Medical Center, expansion of the Aviation Engineering Complex at Wichita State University, and equipping the Biosciences Research Building at the University of Kansas. The Kansas Development Finance Authority (KDFA) is authorized to issue up to \$130.0 million in bonds to provide a portion of the financing for the projects, with the balance of project funding to come from private sector donations and federal grants. The bill authorizes transfers from the State General Fund for debt service payments, limited to not more than \$10.0 million and not more than \$50.0 million in total. The transfers will not commence until FY 2005. The KDFA is required to contract with the Board of Regents for the balance of the debt service payments.

The bill directs the Board of Regents to form a subsidiary corporation to oversee and implement the projects under the bill. The corporation's Board of Directors will consist of seven voting members and one

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org/cgi-bin/fulltext/bills.cgi>

non-voting member, who shall serve without compensation. Four of the voting members will be persons appointed by the Speaker of the House, the President of the Senate, and the House and Senate minority party leaders (one each). Legislative leadership appointees do not need to be legislators. The remaining three voting members will be appointed by the Board of Regents, of which no more than two may be members of the Board of Regents. The Secretary of Administration, or the Secretary's designee, shall serve as the non-voting member.

The bill as amended provides that the Board of Directors shall be appointed within 60 days of the effective date of the act. Once the board members have been appointed, the executive director shall call an organizational meeting of the board and shall serve as the temporary chairperson until the board elects a chairperson from their membership.

The bill assigns the responsibility for selecting design and construction specialists to the corporation's Board of Directors. The Board is authorized to select the appropriate construction model – either the traditional “design, bid, build” approach used for most state construction projects or a variation of the “construction manager at risk” approach as outlined in the bill. “Construction manager at risk” as defined in the bill allows the Board to hire a construction manager from a list of qualified firms developed by the State Building Advisory Commission. The construction manager then becomes the person responsible for developing the project specifications and solicitation of competitive bids for construction services. Firms submitting bid proposals on project components must provide evidence of bonding to be considered qualified. The Board of Regents will submit monthly progress reports to the Joint Committee on State Building Construction. Final inspections of the projects will be the responsibility of the Board of Regents and the Division of Facilities Management.

The bonding and construction provisions outlined in the bill are specifically limited to these research facilities, and the subsidiary corporation would sunset at the completion of the final capital improvement project.

The bill also authorizes bonding authority of \$13.0 million for capital improvements and equipment purchases for improvements to the National Institute of Aviation Research (NIAR) at Wichita State University. These improvements and the related bonding authority are separate from the other projects, bonding authority, and procedures

contemplated under the bill. The debt service on the bonds would be from the State General Fund or any appropriate special revenue fund, as determined by appropriation acts.

Background

The bill was introduced at the request of the Board of Regents. Clay Blair, Chairman of the Board of Regents, spoke in favor of the bill, citing the need for additional modern research facilities at the state's research universities. According to Chairman Blair, the facilities are needed to help recruit and retain university faculty and to support the long term economic health of the state. Chairman Blair also noted that federal research funding has been increasing at a relatively rapid rate and that state university faculty have had increasing success in winning competitive research grants. Chairman Blair indicated the increased research funding would be available to pay the debt service on the bonds in future years. Other conferees testifying in favor of the bill included representatives of the Kansas City Chamber of Commerce, Boeing, Farm Bureau, Kansas Livestock Association, and the Civic Council of Kansas City.

As introduced, the bill would have exempted the Board of Regents from most of the normal procedures for constructing state buildings. Several conferees representing the construction services industry and the Department of Administration testified to the House Appropriations Committee against these provisions of the bill. The amendatory language added by the House Committee is the result of a compromise between those parties and the Board. The House Committee also amended the bill to clarify that State General Fund support for debt service payments would be limited to \$50.0 million over six years and not more than \$10.0 million in any one year, and that the Board of Regents would be responsible for the balance of the debt service, and expanded the Board of Directors of the subsidiary corporation to seven voting members and one non-voting member.

The House Committee of the Whole amended the bill to shift the funding source for the debt service payments from the State General Fund to the State Economic Development Initiatives Fund, deferred any debt service payments until FY 2005, and added the requirement for the payment of prevailing wages to project employees. Other Committee of the Whole amendments were technical in nature.

The Senate Ways and Means Committee amended the bill to increase the maximum bonding authority for the research and development facilities from \$110.0 million to \$130.0 million, shift the funding source for repayment of the bonds from the State Economic Development Initiatives Fund to the State General Fund, add the provisions on the timing of the appointment of board members and the election of a chairperson and vice chairperson, provide for the required bonding of project contractors, and deleted a provision added by the House requiring the payment of prevailing wages to employees of all project contractors and subcontractors. The Senate Committee also added the provisions for the NIAR improvement projects to the bill.

A debt service analysis developed by the KDFA on the issuance of \$110.0 million of bonds estimated payments would total approximately \$4.6 million in FY 2005 and increasing to \$9.6 million in FY 2006, assuming a two-phase issuance beginning in January of 2003.